

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Village of Richland
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended February 28, 2006

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Richland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Richland, Michigan, as of February 28, 2006, and for the year then ended, which collectively comprise the Village's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Richland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Richland, Michigan, as of February 28, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 18 through 21, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Village of Richland, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Richland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Richland, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

April 5, 2006

BASIC FINANCIAL STATEMENTS

Village of Richland
STATEMENT OF NET ASSETS
February 28, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 424,450
Receivables, net	57,527
Prepaid expenses	<u>8,396</u>
Total current assets	<u>490,373</u>
Noncurrent assets:	
Receivables, net	118,587
Capital assets, net of accumulated depreciation	<u>269,876</u>
Total noncurrent assets	<u>388,463</u>
Total assets	<u>878,836</u>
LIABILITIES	
Current liabilities:	
Payables	26,744
Current portion of long-term obligations	<u>31,856</u>
Total current liabilities	58,600
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>190,037</u>
Total liabilities	<u>248,637</u>
NET ASSETS	
Invested in capital assets, net of related debt	185,874
Restricted for:	
Public works	228,247
Debt service	4,568
Unrestricted	<u>211,510</u>
Total net assets	<u>\$ 630,199</u>

See notes to financial statements

Village of Richland
STATEMENT OF ACTIVITIES
Year ended February 28, 2006

		<u>Program Revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	
Functions/Programs	<u>Expenses</u>				
Governmental activities:					
Legislative	\$ 4,610	\$ -	\$ -	\$ -	\$ (4,610)
General government	122,464	-	-	-	(122,464)
Public safety	188,220	96,022	1,057	6,463	(84,678)
Public works	74,160	2,280	39,986	3,213	(28,681)
Recreation and culture	6,063	-	-	-	(6,063)
Community and economic development	3,227	1,545	-	-	(1,682)
Debt service - interest	14,966	11,707	-	-	(3,259)
Total governmental activities	<u>\$ 413,710</u>	<u>\$ 111,554</u>	<u>\$ 41,043</u>	<u>\$ 9,676</u>	<u>(251,437)</u>
General revenues:					
Taxes					288,748
State grants					47,036
Franchise fees					5,035
Investment income					<u>6,927</u>
Total general revenues					<u>347,746</u>
Change in net assets					96,309
Net assets - beginning					<u>533,890</u>
Net assets - ending					<u>\$ 630,199</u>

See notes to financial statements

Village of Richland
BALANCE SHEET - governmental funds
February 28, 2006

	<u>General</u>	<u>Local Streets</u>	<u>1987 Water</u>
ASSETS			
Cash	\$ 198,512	\$ 21,090	\$ 93,654
Receivables	<u>26,662</u>	<u>2,167</u>	<u>-</u>
Total assets	<u>\$ 225,174</u>	<u>\$ 23,257</u>	<u>\$ 93,654</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 22,060	\$ -	\$ -
Deferred revenue	<u>10,311</u>	<u>-</u>	<u>-</u>
Total liabilities	32,371	-	-
Fund balances:			
Unreserved, undesignated	<u>192,803</u>	<u>23,257</u>	<u>93,654</u>
Total liabilities and fund balances	<u>\$ 225,174</u>	<u>\$ 23,257</u>	<u>\$ 93,654</u>

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Special assessments and taxes receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

32nd Street Sewer Debt	Bunkerhill Sewer Debt	Sewer Debt	Total nonmajor governmental funds	Total governmental funds
\$ 483 62,151	\$ 2,273 52,545	\$ 1,812 27,879	\$ 106,626 4,710	\$ 424,450 176,114
<u>\$ 62,634</u>	<u>\$ 54,818</u>	<u>\$ 29,691</u>	<u>\$ 111,336</u>	<u>\$ 600,564</u>
\$ 2,600 59,551	\$ 1,418 51,127	\$ 666 27,213	\$ - -	\$ 26,744 148,202
62,151	52,545	27,879	-	174,946
<u>483</u>	<u>2,273</u>	<u>1,812</u>	<u>111,336</u>	<u>425,618</u>
<u>\$ 62,634</u>	<u>\$ 54,818</u>	<u>\$ 29,691</u>	<u>\$ 111,336</u>	<u>\$ 600,564</u>
				\$ 425,618
				269,876
				8,396
				148,202
				<u>(221,893)</u>
				<u>\$ 630,199</u>

See notes to financial statements

Village of Richland**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****governmental funds**

Year ended February 28, 2006

	<u>General</u>	<u>Local Street</u>	<u>1987 Water</u>
REVENUES			
Taxes	\$ 278,437	\$ -	\$ -
Licenses and permits	79,176	-	-
State grants	48,915	12,011	-
Charges for services	6,265	-	3,213
Fines and forfeitures	16,658	-	-
Interest and rentals	10,322	663	594
Other	900	-	-
Total revenues	<u>440,673</u>	<u>12,674</u>	<u>3,807</u>
EXPENDITURES			
Legislative	4,610	-	-
General government	121,607	-	-
Public safety	180,067	-	-
Public works	42,310	48,941	60
Recreation and culture	5,953	-	-
Community and economic development	3,227	-	-
Capital outlay	1,437	-	-
Debt service:			
Principal	17,159	3,894	-
Interest	2,069	1,435	-
Total expenditures	<u>378,439</u>	<u>54,270</u>	<u>60</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>62,234</u>	<u>(41,596)</u>	<u>3,747</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	35,524	-
Transfers out	(29,000)	-	-
Total other financing sources (uses)	<u>(29,000)</u>	<u>35,524</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	33,234	(6,072)	3,747
FUND BALANCES - BEGINNING	<u>159,569</u>	<u>29,329</u>	<u>89,907</u>
FUND BALANCES - ENDING	<u>\$ 192,803</u>	<u>\$ 23,257</u>	<u>\$ 93,654</u>

<u>32nd Street Sewer Debt</u>	<u>Bunkerhill Sewer Debt</u>	<u>Sewer Debt</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 278,437
-	-	-	-	79,176
-	-	-	26,096	87,022
-	-	-	2,280	11,758
-	-	-	-	16,658
4,955	4,191	2,593	1,890	25,208
<u>18,999</u>	<u>19,349</u>	<u>10,897</u>	<u>660</u>	<u>50,805</u>
<u>23,954</u>	<u>23,540</u>	<u>13,490</u>	<u>30,926</u>	<u>549,064</u>
-	-	-	-	4,610
-	-	-	-	121,607
-	-	-	-	180,067
-	-	-	27,949	119,260
-	-	-	-	5,953
-	-	-	-	3,227
-	-	-	-	1,437
18,999	19,349	10,896	-	70,297
<u>4,951</u>	<u>3,614</u>	<u>2,897</u>	<u>-</u>	<u>14,966</u>
<u>23,950</u>	<u>22,963</u>	<u>13,793</u>	<u>27,949</u>	<u>521,424</u>
<u>4</u>	<u>577</u>	<u>(303)</u>	<u>2,977</u>	<u>27,640</u>
-	-	-	-	35,524
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,524)</u>	<u>(35,524)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,524)</u>	<u>-</u>
4	577	(303)	(3,547)	27,640
<u>479</u>	<u>1,696</u>	<u>2,115</u>	<u>114,883</u>	<u>397,978</u>
<u>\$ 483</u>	<u>\$ 2,273</u>	<u>\$ 1,812</u>	<u>\$ 111,336</u>	<u>\$ 425,618</u>

See notes to financial statements

Village of Richland

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended February 28, 2006

Net change in fund balances - total governmental funds	\$ 27,640
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$73,189) exceeded depreciation (\$17,398) in the current period.	55,791
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	1,796
Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets. This is the amount by which collections reduced special assessment receivable in the current period.	(48,205)
Taxes receivable are not a current financial resource and, therefore, are deferred in the funds.	10,311
Creation of long-term obligations does not require the use of current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but reduces long-term obligations in the statement of net assets. This is the amount by which repayments (\$70,297) exceeded obligations created (\$21,321) in the current period.	<u>48,976</u>
Change in net assets	<u>\$ 96,309</u>

See notes to financial statements

Village of Richland

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

February 28, 2006

ASSETS

Cash	\$ <u>2,416</u>
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LIABILITIES

Due to other governmental units	\$ <u>2,416</u>
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See notes to financial statements

Village of Richland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Richland, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Village. There are no component units, entities for which the Village is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Village. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Local Street Fund accounts for the use of motor fuel taxes which are earmarked by State statute for local street and highway purposes.

The 1987 Water Fund accounts for the use of amounts charged to all Village property owners in 1987 for utility system project administered and owned by Gull Lake Sewer and Water Authority.

The 32nd Street Sewer Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with a utility system project administered and owned by Gull Lake Sewer and Water Authority.

The Bunkerhill Sewer Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with a utility system project administered and owned by Gull Lake Sewer and Water Authority.

The Sewer Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with a utility system project administered and owned by Gull Lake Sewer and Water Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

The Village reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Village has elected to account for infrastructure assets prospectively, beginning March 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Roads	40 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before July 31, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

vii) *Special assessment revenue recognition* - Special assessment revenue is recorded as deferred when initially assessed. To the extent special assessments are currently due, that is billed, revenue is recognized. Interest income on special assessments receivable is not accrued until its due date.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Elections	\$ 1,250	\$ 2,814	\$ (1,564)
		Administration	67,900	69,054	(1,154)
	Public safety	Police	95,280	97,258	(1,978)
		Building Inspections	-	69,430	(69,430)
	Public works	Motor vehicle pool	7,600	10,228	(2,628)
		Cable television	4,100	13,050	(8,950)
Sidewalk Improvement	Public works	Sidewalks	-	2,000	(2,000)

NOTE 3 - CASH:

The Village's cash balances at February 28, 2006, were as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 424,450	\$ 2,416	\$ 426,866

State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority. At February 28, 2006, the Village had deposits with a carrying amount of \$426,866.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$150,457 of the Village's bank balances of \$427,581 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Village's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 10,311	\$ -	\$ 16,351	\$ 26,662
Local Street	-	-	2,167	2,167
32nd Street Sewer	-	62,151	-	62,151
Bunkerhill Sewer	-	52,545	-	52,545
Sewer	-	27,879	-	27,879
Nonmajor funds	-	-	4,710	4,710
Totals	\$ 10,311	\$ 142,575	\$ 23,228	\$ 176,114
Noncurrent portion	\$ -	\$ 118,587	\$ -	\$ 118,587

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended February 28, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets being depreciated:				
Land improvements	\$ 11,000	\$ -	\$ -	\$ 11,000
Buildings and improvements	177,375	2,964	-	180,339
Equipment	134,508	26,744	-	161,252
Infrastructure	42,766	43,481	-	86,247
Subtotal	365,649	73,189	-	438,838
Less accumulated depreciation for:				
Land improvements	8,250	550	-	8,800
Buildings and improvements	50,304	4,490	-	54,794
Equipment	91,941	10,542	-	102,483
Infrastructure	1,069	1,816	-	2,885
Subtotal	151,564	17,398	-	168,962
Governmental activities capital assets, net	\$ 214,085	\$ 55,791	\$ -	\$ 269,876

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Village as follows:

General government	\$	4,180
Public safety		8,153
Public works		4,955
Recreation and culture		<u>110</u>
	\$	<u>17,398</u>

NOTE 6 - PAYABLES:

Payables at February 28, 2006, consist of the following:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 2,725	\$ 5,956	\$ 13,379	\$ 22,060
32nd Street Sewer Debt	-	-	2,600	2,600
Bunkerhill Sewer Debt	-	-	1,418	1,418
Sewer Debt	<u>-</u>	<u>-</u>	<u>666</u>	<u>666</u>
Total	<u>\$ 2,725</u>	<u>\$ 5,956</u>	<u>\$ 18,063</u>	<u>\$ 26,744</u>

NOTE 7 - DEFERRED REVENUES:

Governmental funds report deferred revenues in connection with assets that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of year end, all amounts shown as deferred revenues have been deferred as they are not considered available to liquidate liabilities of the current period.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES:

Long-term debt at February 28, 2006, is comprised of the following individual issues:

\$40,000 Note payable - Fifth Third Bank, due in monthly installments of \$442, including interest at 5.93%, through June 2006	\$ 2,017
\$20,281 Contract payable - Kalamazoo County, Michigan, due in annual installments of \$2,737, plus interest at 1.80%, through January 2013	18,036
\$100,000 State Infrastructure Loan - due in annual installments of \$10,656, including interest at 4.00%, through September 2012	63,949

The Village has agreed to remit to the Gull Lake Sewer and Water Authority (the Authority) all principal and interest collections arising from special assessments levied on properties served by the Authority. In the event the Authority is unable to meet its debt service requirements, an assessment may be made against the Village. The Village has pledged its full faith and credit for the payment of any such deficiency incurred by the Authority. The specific contract balances are as follows:

Sewer special assessment district	27,213
Bunkerhill special assessment district	59,551
32nd Street special assessment district	<u>51,127</u>

Long-term debt at February 28, 2006	<u>\$ 221,893</u>
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Long-term liability activity for the year ended February 28, 2006, is as follow:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Note payable, Fifth Third Bank	\$ 7,039	\$ -	\$ 5,022	\$ 2,017	\$ 2,017
Note payable, Independent Bank	1,206	-	1,206	-	-
Note payable, Independent Bank	4,793	-	4,793	-	-
Contract payable, Kalamazoo County	-	20,281	2,245	18,036	2,439
State Infrastructure Loan	71,736	-	7,787	63,949	8,096
Contracts payable, Authority:					
Sewer	38,109	-	10,896	27,213	6,129
Bunkerhill Sewer	69,436	1,040	19,349	51,127	6,091
32nd Street Sewer	<u>78,550</u>	<u>-</u>	<u>18,999</u>	<u>59,551</u>	<u>7,084</u>
Total long term liabilities	<u>\$ 270,869</u>	<u>\$ 21,321</u>	<u>\$ 70,297</u>	<u>\$ 221,893</u>	<u>\$ 31,856</u>

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at February 28, 2006, are as follows:

	<u>Principal</u>	<u>Interest</u>
<i>Year end February 28:</i>		
2006	\$ 31,856	\$ 11,490
2007	31,430	9,872
2008	33,114	8,189
2009	34,894	6,408
2010	28,744	4,525
2011-2013	<u>61,855</u>	<u>4,683</u>
Totals	<u>\$ 221,893</u>	<u>\$ 45,167</u>

NOTE 9 - INTERFUND TRANSFERS:

For the year ended February 28, 2006, the composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Local Street	<u>\$ 35,524</u>	General	\$ 29,000
		Major Street	<u>6,524</u>
			<u>\$ 35,524</u>

These transfers occurred to support operations of the Local Street Fund.

NOTE 10 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended February 28, 2006, is as follows:

Revenues	\$ 73,084
Expenses	<u>71,275</u>
Excess revenues over expenses	<u>\$ 1,809</u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Richland
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended February 28, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 275,175	\$ 275,175	\$ 278,437	\$ 3,262
Licenses and permits	5,050	5,050	79,176	74,126
State grants	45,950	45,950	48,915	2,965
Charges for service	1,500	1,500	6,265	4,765
Fines and forfeitures	11,000	11,000	16,658	5,658
Interest and rentals	7,500	7,500	10,322	2,822
Other	2,500	2,500	900	(1,600)
Total revenues	<u>348,675</u>	<u>348,675</u>	<u>440,673</u>	<u>91,998</u>
EXPENDITURES				
Legislative	<u>5,060</u>	<u>4,960</u>	<u>4,610</u>	<u>350</u>
General government:				
Election	650	1,250	2,814	(1,564)
Clerk	19,865	19,865	19,884	(19)
Treasurer	11,845	11,845	11,841	4
Hall and grounds	31,290	33,950	19,419	14,531
Administration	<u>64,400</u>	<u>67,900</u>	<u>67,649</u>	<u>251</u>
Total general government	<u>128,050</u>	<u>134,810</u>	<u>121,607</u>	<u>13,203</u>
Public safety:				
Police	97,280	95,280	97,258	(1,978)
Fire	11,000	12,653	13,379	(726)
Building inspections	<u>-</u>	<u>-</u>	<u>69,430</u>	<u>(69,430)</u>
Total public safety	<u>108,280</u>	<u>107,933</u>	<u>180,067</u>	<u>(72,134)</u>
Public works:				
Motor vehicle pool	3,600	7,600	10,228	(2,628)
Cable television	4,100	4,100	13,050	(8,950)
Trees and sidewalks	8,950	8,950	9,290	(340)
Street lighting	<u>9,800</u>	<u>9,800</u>	<u>9,742</u>	<u>58</u>
Total public works	<u>26,450</u>	<u>30,450</u>	<u>42,310</u>	<u>(11,860)</u>

Village of Richland**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended February 28, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - park maintenance	<u>\$ 6,437</u>	<u>\$ 5,937</u>	<u>\$ 5,953</u>	<u>\$ (16)</u>
Community and economic development - planning and zoning	<u>2,520</u>	<u>3,317</u>	<u>3,227</u>	<u>90</u>
Capital outlay	<u>10,440</u>	<u>10,440</u>	<u>1,437</u>	<u>9,003</u>
Debt service:				
Principal	<u>18,990</u>	<u>18,458</u>	<u>17,159</u>	<u>1,299</u>
Interest	<u>2,500</u>	<u>2,500</u>	<u>2,069</u>	<u>431</u>
Total expenditures	<u>308,727</u>	<u>318,805</u>	<u>378,439</u>	<u>(59,634)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>39,948</u>	<u>29,870</u>	<u>62,234</u>	<u>(32,364)</u>
OTHER FINANCING USES:				
Transfers to Local Street Fund	<u>(29,000)</u>	<u>(29,000)</u>	<u>(29,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>10,948</u>	<u>870</u>	<u>33,234</u>	<u>32,364</u>
FUND BALANCES - BEGINNING	<u>159,569</u>	<u>159,569</u>	<u>159,569</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 170,517</u>	<u>\$ 160,439</u>	<u>\$ 192,803</u>	<u>\$ 32,364</u>

Village of Richland
BUDGETARY COMPARISON SCHEDULE - Local Street Fund
Year ended February 28, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 11,250	\$ 11,250	\$ 12,011	\$ 761
Interest	200	200	663	463
Total revenues	<u>11,450</u>	<u>11,450</u>	<u>12,674</u>	<u>1,224</u>
EXPENDITURES				
Public works	50,050	50,050	48,941	1,109
Debt service:				
Principal	3,894	3,894	3,894	-
Interest	<u>1,434</u>	<u>1,434</u>	<u>1,435</u>	<u>(1)</u>
Total expenditures	<u>55,378</u>	<u>55,378</u>	<u>54,270</u>	<u>1,108</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(43,928)</u>	<u>(43,928)</u>	<u>(41,596)</u>	<u>2,332</u>
OTHER FINANCING SOURCES:				
Transfers from General Fund	29,000	29,000	29,000	-
Transfers from Major Street Fund	<u>6,625</u>	<u>6,625</u>	<u>6,524</u>	<u>(101)</u>
Total other financing sources	<u>35,625</u>	<u>35,625</u>	<u>35,524</u>	<u>(101)</u>
NET CHANGE IN FUND BALANCES	<u>(8,303)</u>	<u>(8,303)</u>	<u>(6,072)</u>	<u>2,231</u>
FUND BALANCES - BEGINNING	<u>29,329</u>	<u>29,329</u>	<u>29,329</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 21,026</u>	<u>\$ 21,026</u>	<u>\$ 23,257</u>	<u>\$ 2,231</u>

Village of Richland
BUDGETARY COMPARISON SCHEDULE - 1987 Water Fund
Year ended February 28, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 3,213	\$ 3,213
Interest	-	-	594	594
Total revenues	-	-	3,807	3,807
EXPENDITURES				
Public works	-	-	60	(60)
NET CHANGE IN FUND BALANCES	-	-	3,747	3,747
FUND BALANCES - BEGINNING	89,907	89,907	89,907	-
FUND BALANCES - ENDING	<u>\$ 89,907</u>	<u>\$ 89,907</u>	<u>\$ 93,654</u>	<u>\$ 3,747</u>

SUPPLEMENTARY INFORMATION

Village of Richland
COMBINING BALANCE SHEET - nonmajor governmental funds
February 28, 2006

	Special revenue			Debt service	
	Major Street	Water Improvement	Sidewalk Improvement	East DE Avenue	Total
ASSETS					
Cash	\$ 30,911	\$ 59,624	\$ 16,091	\$ -	\$ 106,626
Receivables	4,710	-	-	-	4,710
Total assets	<u>\$ 35,621</u>	<u>\$ 59,624</u>	<u>\$ 16,091</u>	<u>\$ -</u>	<u>\$ 111,336</u>
FUND BALANCE					
Unreserved, undesignated	<u>\$ 35,621</u>	<u>\$ 59,624</u>	<u>\$ 16,091</u>	<u>\$ -</u>	<u>\$ 111,336</u>

Village of Richland

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended February 28, 2006

	<u>Special revenue</u>			<u>Debt service</u>	
	<u>Major Street</u>	<u>Water Improvement</u>	<u>Sidewalk Improvement</u>	<u>East DE Avenue</u>	<u>Total</u>
REVENUES					
State grants	\$ 26,096	\$ -	\$ -	\$ -	\$ 26,096
Charges for services	-	2,280	-	-	2,280
Interest	529	1,029	332	-	1,890
Other	-	660	-	-	660
Total revenues	26,625	3,969	332	-	30,926
EXPENDITURES					
Public works	25,642	180	2,000	127	27,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	983	3,789	(1,668)	(127)	2,977
OTHER FINANCING USES					
Transfers out	(6,524)	-	-	-	(6,524)
NET CHANGE IN FUND BALANCES	(5,541)	3,789	(1,668)	(127)	(3,547)
FUND BALANCES - BEGINNING	41,162	55,835	17,759	127	114,883
FUND BALANCES - ENDING	<u>\$ 35,621</u>	<u>\$ 59,624</u>	<u>\$ 16,091</u>	<u>\$ -</u>	<u>\$ 111,336</u>